MEETING PUBLIC PRIORITIES
SCN ANNUAL REPORT
2007 - 2008

SCN

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Letter of Transmittal

To His Honour
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

Your Honour:

I am honoured to submit the annual report of the Saskatchewan Communications Network Corporation (SCN) for the year ended March 31, 2008, including financial statements, in accordance with *The Communications Network Act*.

Since the election in November 2007, this government has been building on its values of growth, security, and promises. During this time, government has deliberated on how to strategically invest in Saskatchewan to ensure the current momentum translates into long-term, sustained economic prosperity, and to ensure the benefits of the growing economy reach everyone who calls Saskatchewan home.

We are committed to accountability and to ensuring we deliver on our commitments. A significant number of commitments have already been made to Saskatchewan people in 2007-08 in the election platform, the Speech from the Throne and in the public Minister's Mandate letters. This report will provide progress on those commitments as they relate to this Treasury Board Crown corporation as of March 31, 2008. We look forward to furthering our commitment to improved accountability as 2008-09 progresses.

Respectfully,

Christine Tell
Minister Responsible for SCN

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Christine Tell
Minister Responsible for SCN

Message from Board Chair

2007-08 marked an exciting year of growth and transition at SCN. As we welcomed a new provincial government in Saskatchewan, we also welcomed a new Minister Responsible for SCN.

In addition, SCN bid a fond farewell to Ken Alecxe who after so ably guiding SCN as President and Chief Executive Officer since 2004, announced his retirement early in 2008.

Throughout all the changes, SCN continued to meet its mandate as Saskatchewan's public educational broadcaster and one of the pillars supporting the province's dynamic film and television sector. As a Treasury Board Crown corporation, SCN is uniquely placed to provide programs and activities that support the public priorities of Saskatchewan.

SCN ensures public priorities are met by delivering credit courses to a growing number of Saskatchewan students in remote areas, broadcasting programs created by Saskatchewan producers and connecting rural and remote communities to opportunities for information. This helps make Saskatchewan a stronger province by building pride and providing opportunities for formal and informal education.

Veronica Gamracy
Chair, SCN Board of Directors

SCN Board of Directors

Veronica Gamracy, Chair
Van Isman
Glenda James
Chris Lee
Kelly Miner
Devin O'Neal
Patti Pacholek
Raj Randhawa
Patricia Roe
Gordon Tootoosis

Message from President and CEO

After an exciting year of transition, SCN executive and staff are ready to embrace the guiding priorities of a new government and ensure its many vital technical services continue to meet the needs of Saskatchewan people.

For many years, SCN has supported government initiatives by purchasing Saskatchewan produced television programs to encourage economic development in the province; broadcasting Saskatchewan stories to support and celebrate the province as a great place to live and work; distributing televised distance education on behalf of the Ministries of Education and Advanced Education, Employment and Labour; supporting continuing education and training for working professionals; and enabling rural and remote communities to remove barriers to economic growth through the provision of high speed internet access.

SCN executive and staff look forward to continuing our support of public priorities of the Government of Saskatchewan, using state-of-the-art technology to deliver made in Saskatchewan stories to our people wherever they live and work.

Twyla MacDougall
A/SCN President and CEO

SCN Executive Team

Ken Alecxe/Twyla MacDougall,
President and Chief Executive Officer

Richard Gustin,
Executive Director, Programming

Twyla MacDougall/Jody Wise,
Executive Director, Finance, Strategic Planning and Human Resources

David Stanchuk,
Director, Technology

Maureen MacDonald/Ranjan Thakre,
Director, Marketing and Communications

SCN Corporate Overview

Vision - To Connect, Create and Communicate

Mission - SCN connects communities, learners and business, creates economic and cultural opportunities, and communicates a world of ideas.

Mandate - SCN is the regional public broadcaster that delivers cultural, informational and educational programming and acts as an enabler for the film and television industry.

The Saskatchewan Communications Network Corporation (SCN) operates as a Treasury Board Crown corporation of the Government of Saskatchewan in accordance with *The Communications Network Corporation Act (1989)*. The Minister of Tourism, Parks, Culture and Sport serves as Minister Responsible for SCN while a Board of Directors provides direction to the SCN Executive Team to fulfill the SCN vision.

Investing in the film and television industry

The Government of Saskatchewan through SCN invests in film and television programs made by Saskatchewan companies, supporting a strong film and television industry and ensuring Saskatchewan and national audiences can view high-quality Saskatchewan content on the SCN Broadcast Network. In fact, having supported and broadcast over 725 local productions in the past 16 years, SCN is highly valued by industry professionals across Canada. SCN pursues strategic alliances with private and public sector partners to develop programs and policies that enable the film and television industry and respond to public demand for Saskatchewan programming.

Building pride through Saskatchewan stories

SCN is perhaps best known to the people it serves as Saskatchewan's Storyteller, a public educational broadcaster – one of only five in Canada. Through its daily, commercial-free broadcast network, SCN delivers more made in Saskatchewan programs than any other provincial broadcaster. The made in Saskatchewan programs broadcast on SCN celebrate the unique people, places and culture of our province and are growing in popularity with audiences across Canada. Beyond television, SCN also distributes Saskatchewan programs through internet streaming, sharing information about our province with a global audience.

SCN is one of the few media outlets locally controlled and programmed with a commitment to Saskatchewan programs, education and services. SCN is Saskatchewan's largest provider of information and entertainment programming about Saskatchewan. With over 6,000 hours broadcast in the past year, SCN provided its audience with approximately 31 per cent (1,860 hours) of regional content, far above other provincial broadcasters.

Through its regional programs, SCN serves as a multimedia town square, reflecting Saskatchewan values, responding to public priorities and showcasing Saskatchewan's unique events and activities.

SCN Strategic Direction

Cultural Affirmation - to communicate with the region, profile the culture, history, places and people of our region through the business of broadcasting.

Economic Opportunity - to support the Saskatchewan film and television industry by purchasing broadcast rights for existing programs and funding future programs, to create economic opportunity.

Access to Information and Educational Opportunities - to connect remote and rural communities that require satellite technology to distribute educational and cultural programming.

SCN's technical infrastructure was originally established to operate a televised distance education network so that Saskatchewan people living even in the most remote areas could have access to educational opportunities in their own communities. Today SCN is a trusted brand that uses advanced satellite technology to distribute formal and informal education through several satellite networks.

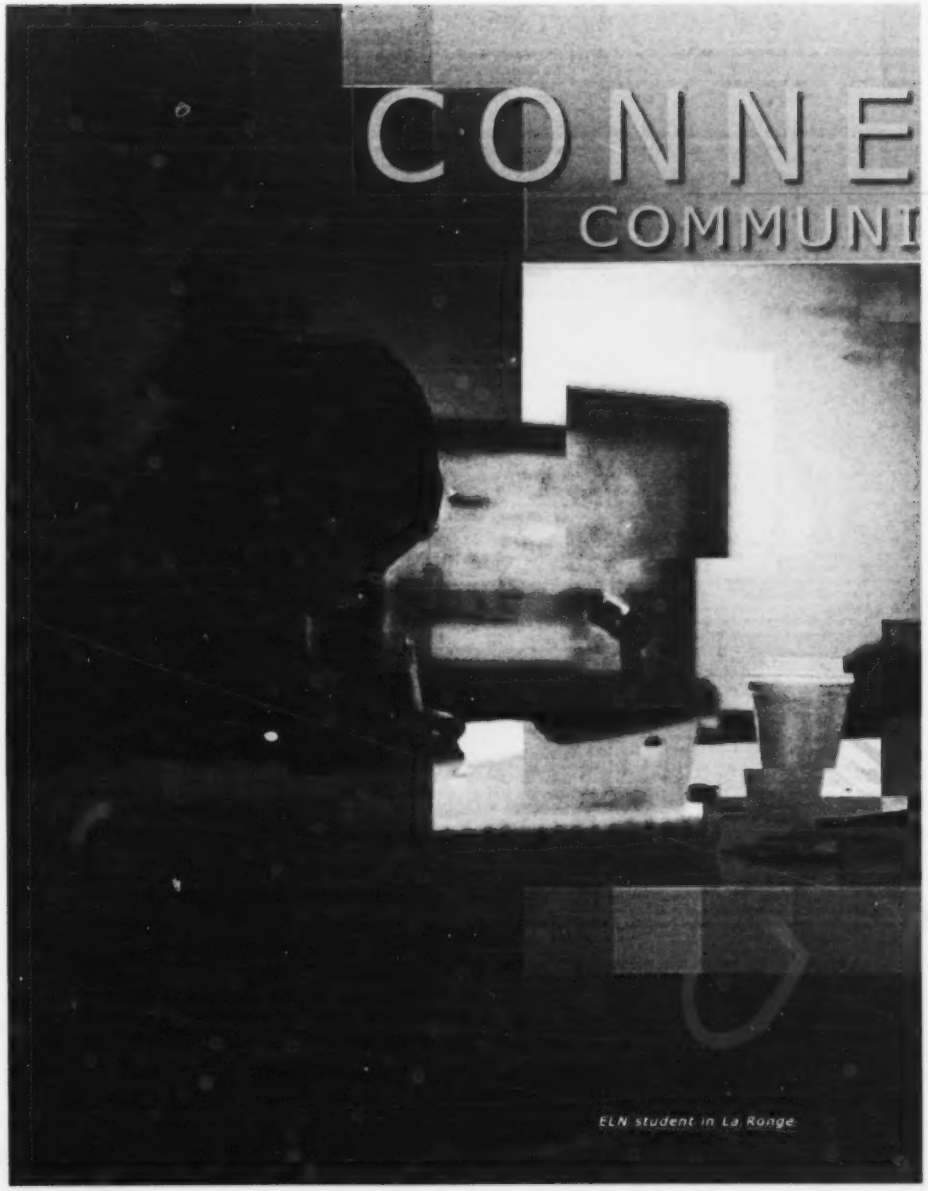
SCN operates under the provisions of The Broadcasting Act and is licensed and regulated by the Canadian Radio-television and Telecommunications Commission (CRTC). As a CRTC-licensed provincial public education channel, SCN is distributed to over 90 per cent of Saskatchewan homes through the province's cable, wireless, digital and satellite television systems.

With 270 sites established throughout the province, SCN provides Saskatchewan people with access to formal education, professional development and workplace training through a variety of media, including televised, on line and video streaming.

Saskatchewan residents throughout the province can watch the live proceedings of the Saskatchewan Legislature when in session.

Public and private sector clients recognize SCN as a centre of excellence and contract with SCN to supply distribution services where no other provider has been available.

CONNECTING COMMUNITIES AND LEARNERS



ELN student in La Ronge

SCN continues to be an important partner in building a viable knowledge economy for the province. During the 2007-08 fiscal year, SCN began renewal of the technical infrastructure that supports the province's televised distance learning network (ELN), a much-needed step forward in SCN's partnership with the public education system.

For nearly 20 years, SCN's technical infrastructure has provided a vital delivery component to meet the growing demand for educational opportunities, particularly in rural and remote Saskatchewan communities. In its first year, the E-Learning Network delivered eight credit courses to about 960 students in 35 locations. In 2007-08, SCN delivered 78 secondary and post-secondary courses, reaching about 3,500 students in 270 classrooms located in more than 200 Saskatchewan communities. Community demand for televised distance learning continues to grow – over the last four years the number of classrooms equipped to receive ELN has risen by 28 per cent. Indeed, the ELN infrastructure is capable of reaching many more students in the future.

In 2007-08, SCN upgraded the highly valued E-Cast, its on-line complement to the E-Learning Network. E-Cast allows students who may have missed an ELN broadcast or who want to review the televised course to access these courses via the internet. The upgrade has made the E-Cast more efficient, reliable and user-friendly for the thousands of Saskatchewan students who rely on ELN for educational opportunities.

ELN is a closed-circuit television satellite network that serves Saskatchewan schools, regional colleges and universities. SCN distributes live televised learning along with on-line and streaming technologies to deliver formal education opportunities to students in over 200 communities. There are currently more than 270 ELN classrooms, spanning the entire province: as far north as Black Lake near the Northwest Territories; south near the Canada/US border in Coronach; and in many communities bordering our neighbouring provinces. Moreover, the ELN has the capacity to serve many thousands more Saskatchewan students in the future, making it a viable, cost-effective solution to support a knowledge economy and provide life-long learning within the reach of every Saskatchewan resident.

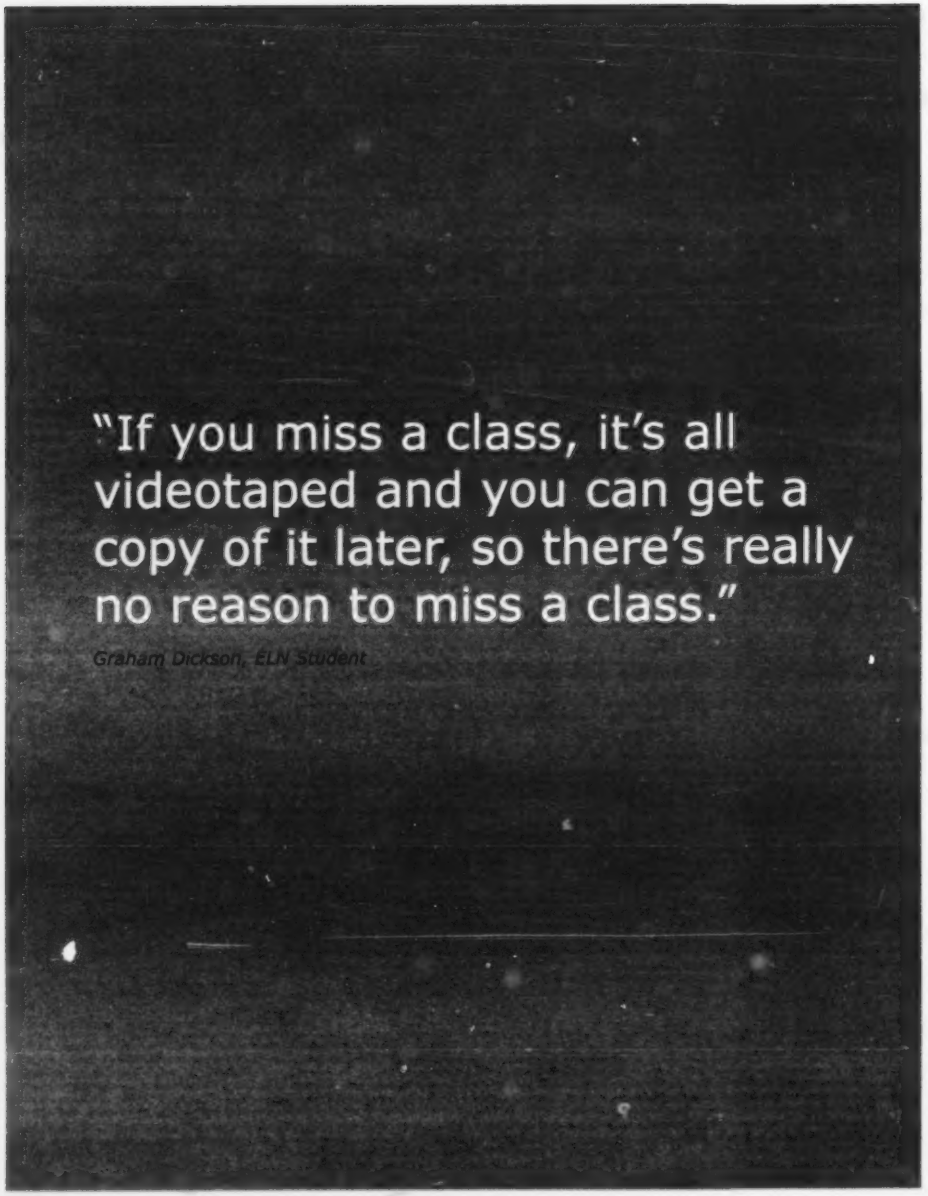
270

SCN began upgrading its satellite network to make it more efficient by converting receivers at each of 270 locations to MPEG-4 DVB-S2 video compression. This allows SCN to reduce the cost of delivery while improving the quality of service. The migration decreases the bandwidth necessary to distribute SCN video applications which currently include three televised distance education channels.

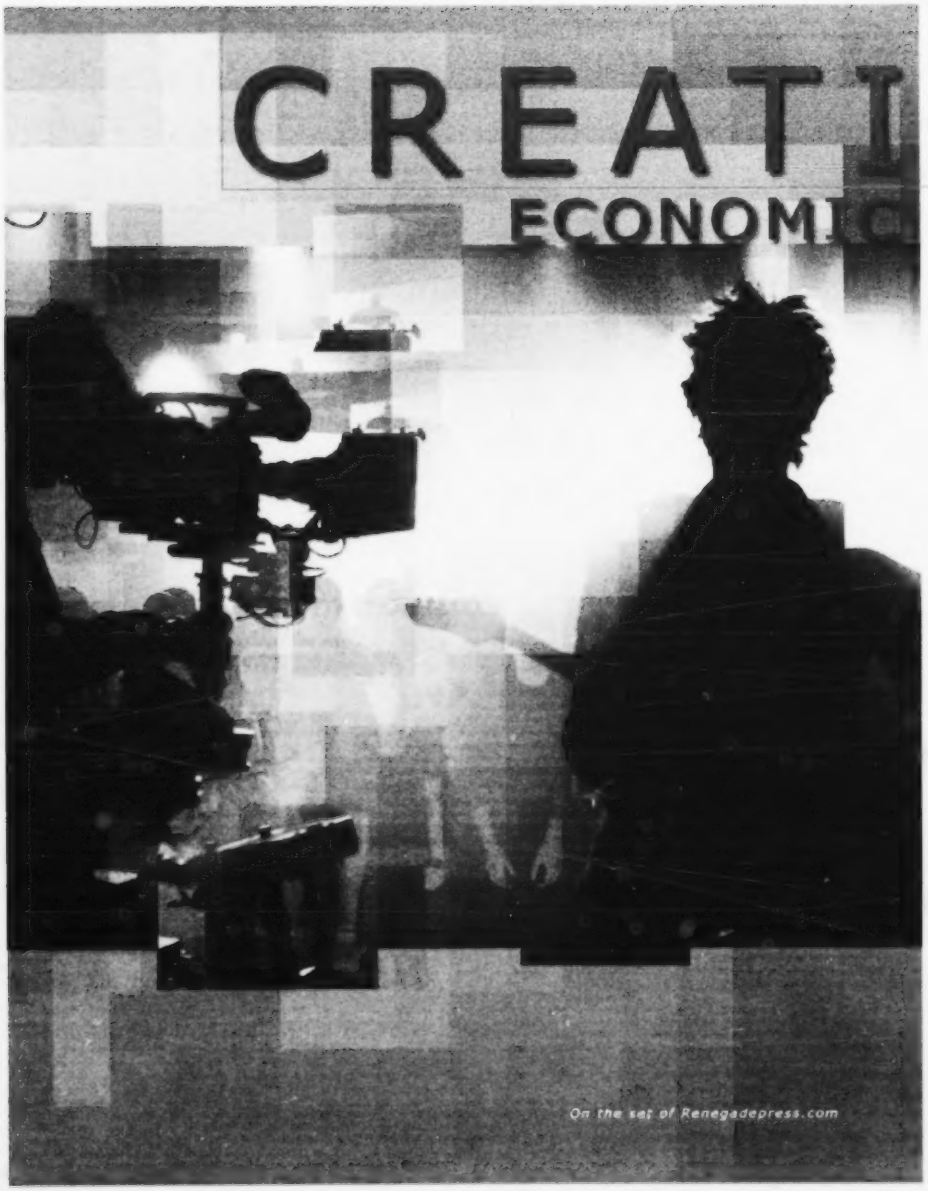
No other provincial educational authority in Canada has a live interactive televised educational system on the scale of SCN's E-Learning Network (ELN). It is an affordable way to provide Saskatchewan students – wherever they live – with access to educational opportunities. ELN provides equitable access to K-12 and post-secondary education and training for rural and remote communities and First Nations across Saskatchewan through distribution of televised distance learning.

Connecting La Ronge students with space shuttle astronaut

In August 2007, SCN satellite technology was used to connect northern Saskatchewan students with Canadian Space Agency astronaut, Saskatoon-born Dave Williams, during the Endeavour space shuttle mission. The E-Learning Network provided a live video link from NASA to Northlands College in La Ronge enabling students from four local schools to see and ask questions of Williams in real time. Northlands College was the only Canadian school downlink for the entire mission. La Ronge was selected because of its remote location and Williams' passion to encourage northern students to study science and technology.


"If you miss a class, it's all videotaped and you can get a copy of it later, so there's really no reason to miss a class."
Graham Dickson, ELN Student

CREATING ECONOMIC OPPORTUNITY



On the set of Renegadepress.com

Investing in a dynamic industry

SCN plays a vital role in the growth and development of Saskatchewan's film and television industry. That is because SCN invests in the work of Saskatchewan companies who create made in Saskatchewan film and television programs. These Saskatchewan programs are broadcast along with national and international shows providing both a regional and global perspective for our audience. In 2007-08, approximately 410 hours of programs were purchased and delivered, with nearly 140 new hours of Saskatchewan content added. As a result, 76 per cent of SCN's $2 million investment in programming remained in Saskatchewan.

Meeting public priorities

SCN's unique programming helps to meet public priorities by building pride in Saskatchewan, supporting life-long learning and the development of a knowledge economy. Many of SCN's most popular programs help Saskatchewan people to be informed and engaged in making decisions that shape their political, social and economic lives. For example, SCN broadcasts public forums on the economy, the environment and health care, enabling citizens to understand and participate in the future development of the province.

Return on investment

Over 16 years, the Government of Saskatchewan, through SCN, has invested $13.9 million in Saskatchewan production companies and leveraged over $126.1 million in other economic activity - more than nine times the initial investment.

Source: Aggregate data compiled from commercially confidential budget submissions to SCN.

Every dollar SCN invests in a Saskatchewan production generates

$9 in economic activity

Supporting children and parents

SCN children's programming is trusted by parents and caregivers, offering a selection of children's programs produced in close consultation with educators and child-development experts to achieve specific curriculum objectives. SCN children's programs help children be successful learners. In fact SCN broadcasts five to six hours of non-violent, commercial free and educational programming for pre-school children daily. In addition, two hours of programming are broadcast every weekday that supports Saskatchewan's K-12 curricula.

95%
of stakeholders reported having a very positive relationship with SCN.

Exceeding stakeholder expectations

SCN conducts regular research to ensure it is meeting stakeholder needs and expectations, and to gain better understanding of how to improve services. Stakeholders include producers in whose work SCN invests, as well as technical suppliers and organizations that use SCN services.*

Stakeholders are very satisfied with their relationship with SCN, providing an average rating of 8.93 on a 10-point scale. In fact, 95 per cent gave a rating of 7 or higher and report that their relationship with SCN is meeting or exceeding their expectations. Most are satisfied with their relationships with their specific contacts as well as with SCN senior management.

A full 95 per cent of producers feel that SCN is generally better to deal with compared to other broadcasters, providing an average rating of 8.74 on a 10-point scale. In addition, 80 per cent of the technical suppliers that use SCN services indicated they were satisfied their technical service needs had been met over 2007-08.

SCN stakeholder organizations

Ministries of Education, and Advanced Education, Employment and Labour: SCN supports the delivery of televised distance education to rural and remote communities on behalf of these ministries, Saskatchewan's universities, SIAST and regional colleges.

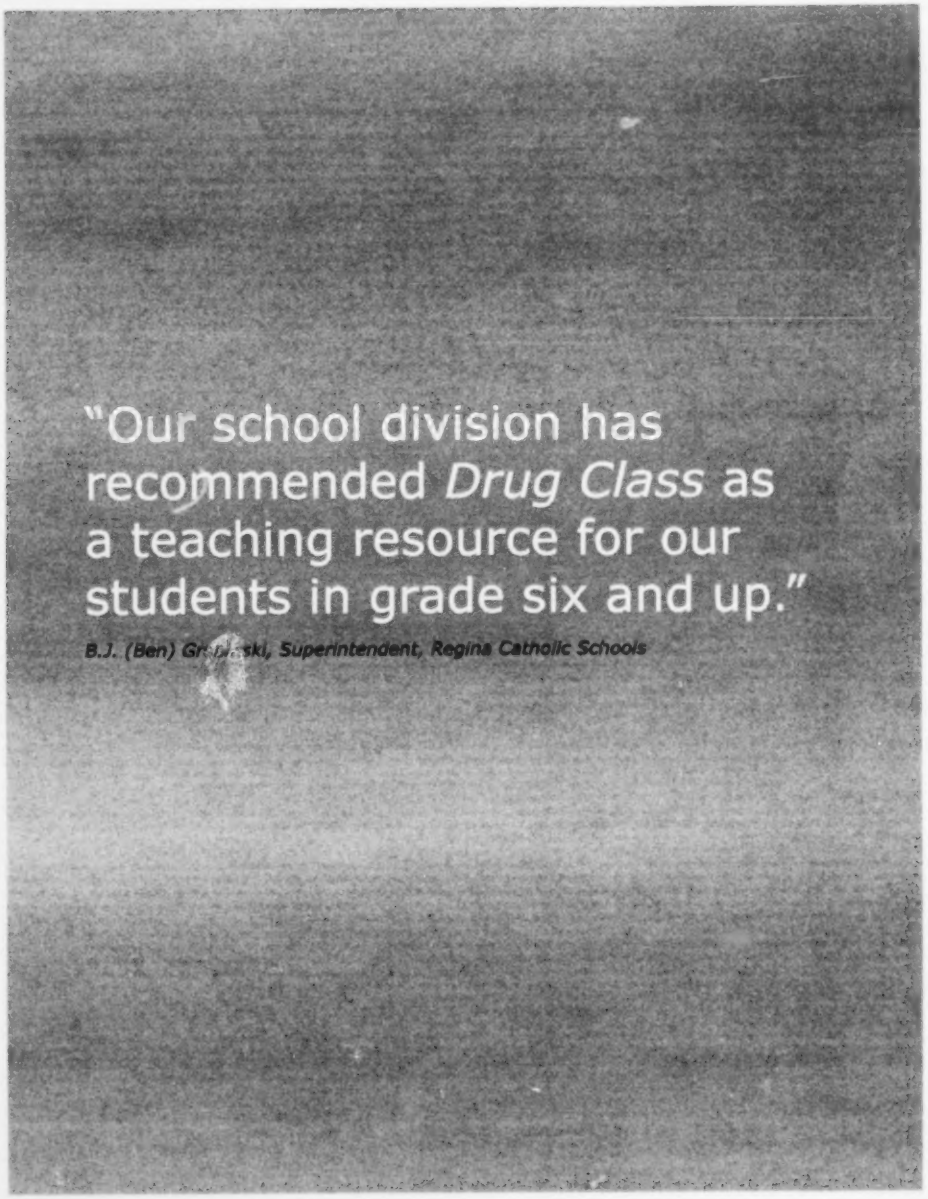
The Saskatchewan Film and Television Industry: SCN contributes to the development and growth of the provincial film and television sector through purchasing and broadcasting Saskatchewan content.

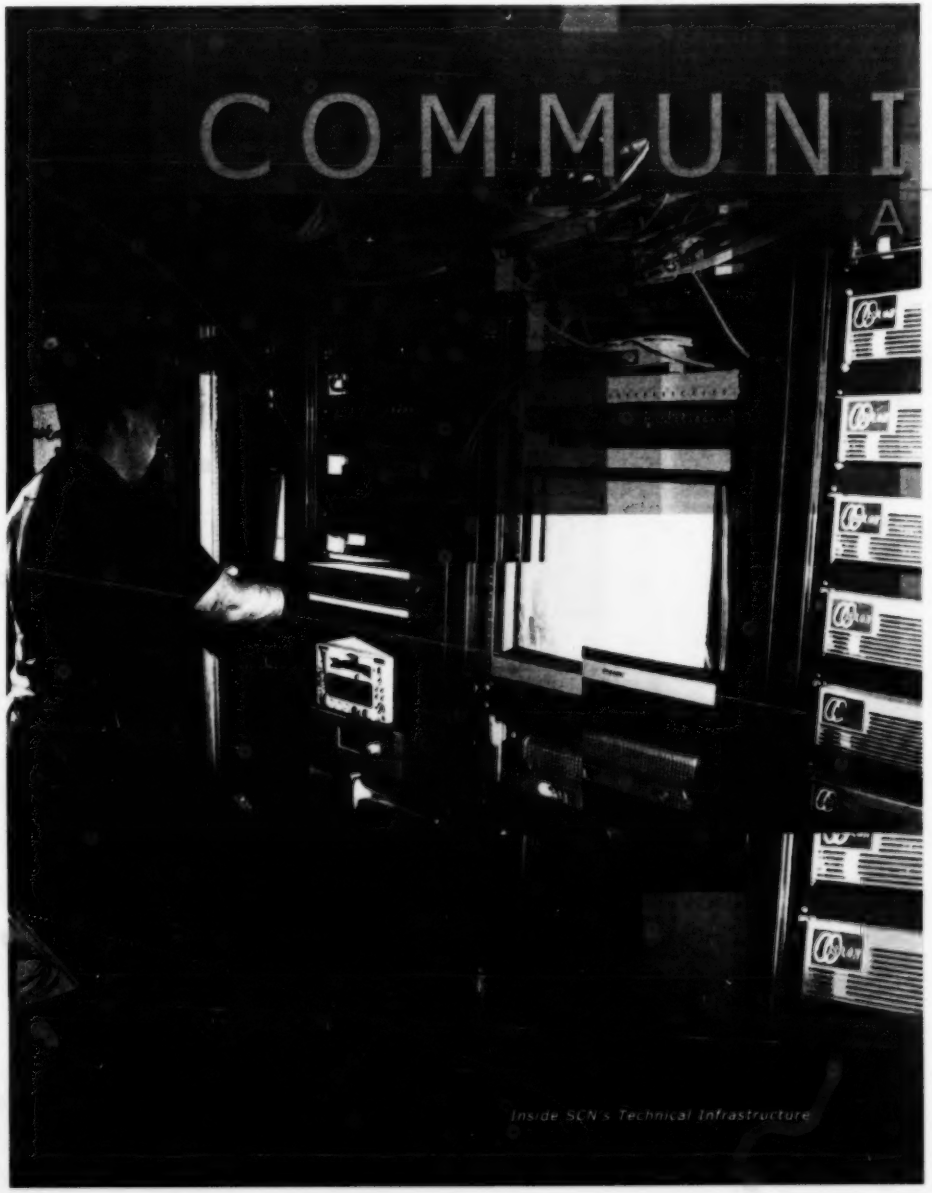
Provincial and federal government agencies to which SCN provides high speed internet access.

Guiding Saskatchewan youth to make good choices

SCN helps Saskatchewan youth make healthy and wise lifestyle choices by broadcasting programs on issues such as substance abuse and career and recreational opportunities. In 2007-08, for example, SCN launched a Saskatchewan documentary series called Drug Class, showcasing six young people from Regina who struggle to understand and acknowledge the effect their drug and alcohol consumption has on their physical, mental and spiritual well-being. Produced by Regina-based Cooper Rock Productions, Drug Class featured the highly respected substance abuse program developed by Saskatchewan teacher, Rand Teed.

* *A total of 60 stakeholders completed the survey yielding results within +/-11.9%, 19 in 20 times.*


"Our school division has recommended *Drug Class* as a teaching resource for our students in grade six and up."
B.J. (Ben) Gr[illegible]ski, Superintendent, Regina Catholic Schools



Inside SCN's Technical Infrastructure

COMMUNICATING A WORLD OF IDEAS

SCN's enhanced public broadcast network

Building on the successful launch of its new Broadcast Operations Centre in 2006, SCN has continued to improve the quality of the Public Broadcast Network. Many on-air enhancements were introduced, such as upcoming program highlights and advanced on-screen graphics and animation. By automating workflows and integrating asset and schedule management tools into its daily operations, SCN continues to be one of the most advanced and cost effective broadcasters in Canada. SCN is preparing for the inevitable change to High Definition Television (HDTV) which will further enhance our viewers' experience.

Other SCN video and satellite networks

SCN also markets satellite distribution services and support for outside agencies such as:

- Distributing live broadcasts of the Saskatchewan Legislative Assembly to viewers throughout the province.
- Videoconferencing for private and public sector organizations.
- Internet connectivity to schools and government agencies through the Province's CommunityNet Initiative.
- Internet connectivity to other public and private agencies.
- Voice over Internet Protocol and cell phone services to rural communities.

SCN multimedia

In 2007-08, SCN revamped its website to enhance services for its visitors and viewers. As well as promoting programming and information for stakeholders, the site offers streaming video of some of SCN's regional series, and sends email reminders about upcoming programs upon request. The number of visitors to the site increased to 103,691 in 2007 up from 79,625 in 2006. The number of requests for program reminders also increased to 590 up from 496 in 2006 and 375 in 2005.

30%

What is CommunityNet?

CommunityNet is an initiative of the Province of Saskatchewan, which brings a high-speed network to communities across the province. The network is shared between government, health and education sectors, and links 795 educational facilities, 310 health facilities, 85 First Nations schools and 256 government offices in Saskatchewan. The two-way satellite system used in CommunityNet is SCN's Digital Satellite Network, or DSN2, and provides service to approximately 48 rural and northern schools.

Partnering to reduce costs

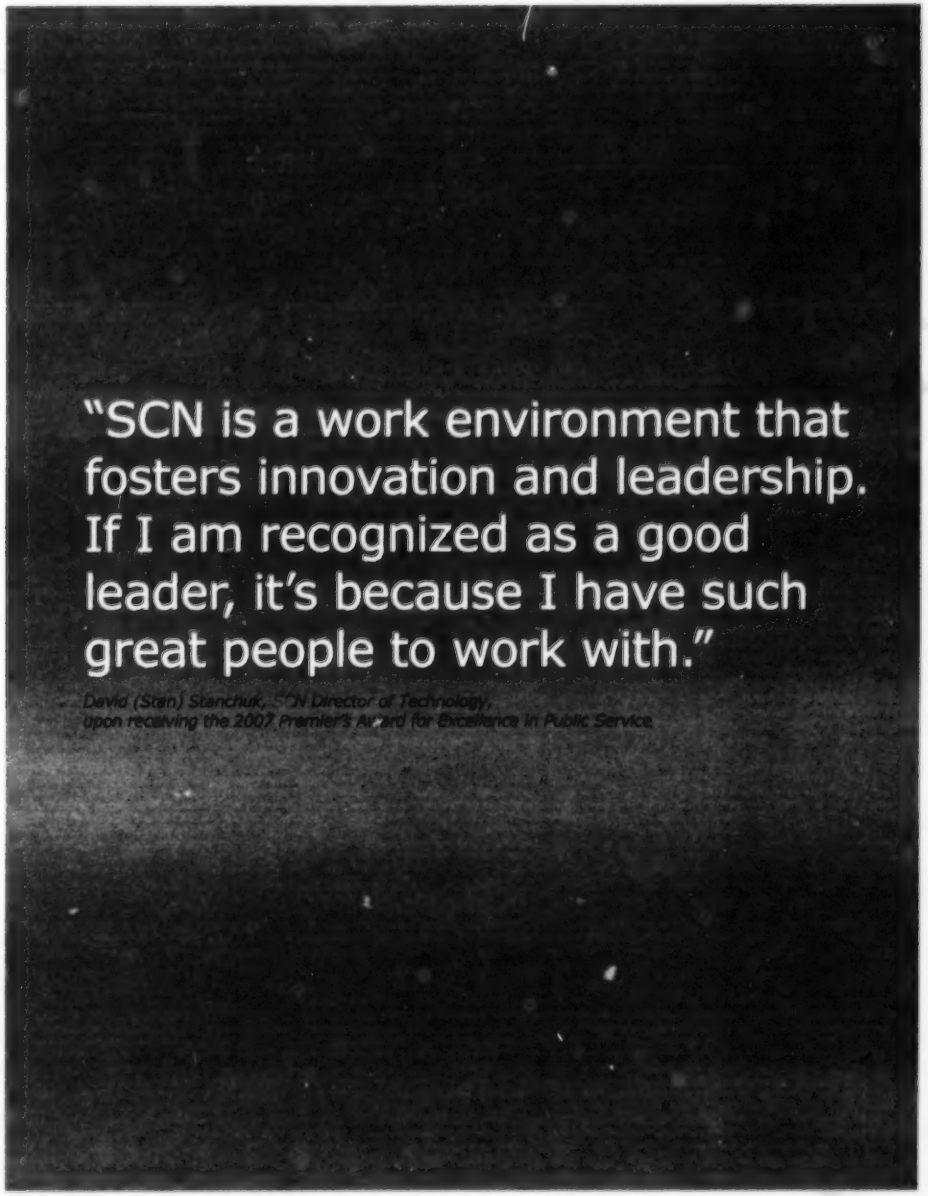
In October 2007, SCN entered into an agreement with Telesat to migrate a portion of its network from the current Ku-Band based system to C-Band technology. Detailed planning, network design and start of construction in 2007-08 will allow more flexibility in delivering services when the system is implemented in 2008-09. The new platform, including a new C-Band uplink at SCN headquarters in Regina and new satellite receiving equipment at over 340 locations, offers SCN and its clients and stakeholders greater choice in service delivery and the opportunity to reduce costs. In 2008 SCN will become one of the first broadcasters in Canada to adopt leading edge technology for television signal distribution.

SCN's Director of Technology awarded for excellence

David (Stan) Stanchuk, SCN's Director of Technology, received the 2007 Premier's Award for Excellence in Public Service. Stanchuk led the satellite system pilot that resulted in SCN's provision of CommunityNet and internet connectivity to schools and public libraries that would otherwise not have access. Credited with growing Saskatchewan's E-Learning Network from 58 to 270 e-classrooms, reaching more than 200 communities, Stanchuk also established new broadcast studios in urban, rural and northern schools and regional colleges, and designed and implemented substantial upgrades to existing studios. Most recently, he worked to make SCN the first broadcaster in Canada to adapt new technology with advanced tools that simplify and automate the tasks of operating its public broadcast network. Due to David Stanchuk's dedication and innovation, the new broadcast operations centre in Regina is now a completely tapeless environment, preparing SCN to broadcast in high definition.

What is C-Band?

Different "bands" of frequencies are used in radio and satellite communications. Ku generally refers to the 12-14 Gigahertz band and is ideal for small dish, direct-to-home applications, such as satellite television. C-Band uses 4-6 Gigahertz frequencies and provides a robust, reliable platform for a wide variety of satellite and telecommunications applications, including voice, video and data.


"SCN is a work environment that fosters innovation and leadership. If I am recognized as a good leader, it's because I have such great people to work with."
- David (Stan) Stanchuk, SCN Director of Technology, upon receiving the 2007 Premier's Award for Excellence in Public Service

Friends of SCN

Friends say thanks

Fred and Martha MacDonald love the Saskatchewan stories they find on SCN. An American couple from New Hampshire, USA, they discovered SCN while visiting family in the Maritimes and continue to tune in from their home thanks to SCN's satellite broadcast. "We found the programs so interesting that we decided to help support SCN so they can keep making shows that entertain us," said Fred. "Our favourite programs on SCN are Wings Over Canada and Life Without Borders." Fred and Martha recently sent SCN this photo of themselves at their home in New Hampshire. When asked what they are thanking SCN for, Fred doesn't hesitate, "It may sound old-fashioned but I don't think people say thank-you to each other enough: it seems to have gone out of style. Martha and I wanted to show our appreciation to SCN for the fine entertainment they provide us with, so we took the time to thank them properly with a letter and photo."

SCN's most dedicated viewers

Friends of SCN are dedicated viewers who value Saskatchewan programming on SCN so much, they donate money to support the production and development of made in Saskatchewan programs. Since 2003, SCN has held on-air campaigns inviting viewers to become Friends through a financial donation. It is interesting to note that SCN has many supporters from other provinces who donate to support Saskatchewan programs. This is a result of SCN's broadcast signal being available via satellite to viewers across Canada.

Corporate Friends

When organizations support SCN, their reputation is enhanced. Through extensive audience research, SCN's research reveals its viewers are well-educated and discerning; that they closely associate corporate sponsors with culture, education and quality, and that they hold in high regard organizations that support public television. Corporate Friends of SCN are provided with unique branding opportunities to share their corporate message with the SCN viewing audience.

Friends' survey results 2007–08

An annual survey of Friends is conducted to ensure their needs are being met. On average, the respondents indicated that Friends spent roughly 30 per cent of their total television viewing time watching SCN. Friends report they are very satisfied with the quality of SCN programming, rating it at 8.31 on a 10-point scale, on average. Furthermore, Friends of SCN felt SCN was better than other local stations at providing regional and community information.*

* *A total of 264 surveys were completed yielding results within +/-4.86%, 19 in 20 times.*

Industry Friends support SCN

Rob Bryanton is president of Talking Dog Post & Sound Studios, a corporate Friend of SCN. A completely digital audio post production facility that specializes in soundtracks for feature films, television series and commercials, Talking Dog is a valued player in Saskatchewan's film and television industry. "Talking Dog is proud to be a Friend of SCN because we know first-hand what an important part of the puzzle SCN is for local producers," Rob said. "We're Friends of SCN because we want to see SCN on the Saskatchewan landscape for a long time – SCN is a mainstay for ensuring the industry can keep growing here." Currently, Rob's favourite SCN program is Wapos Bay, a delightful children's show created in claymation that has won national awards for excellence; it is made in Saskatchewan by Saskatchewan producers.

SCN Open Houses

SCN holds special events to meet viewers and celebrate the launch of new Saskatchewan programs, often in partnership with producers. These public events provide SCN with a strong profile in communities across the province; communities that benefit from SCN's many services. In 2007–08, an SCN Open House was held for the following programs in these communities:

The Perfect Drive in Saskatoon attracted a large crowd to screen this new series that encourages travel and tourism in Saskatchewan.

Prairie Gardens in Moose Jaw showcased important gardening advice specific to Saskatchewan conditions.

Eddie & Us and Middle of Somewhere, two popular SCN original series, held a joint SCN Open House in Saskatoon that celebrated the unique and diverse culture of Saskatchewan communities.

First Stories, a series of short films produced by emerging Aboriginal film makers, was launched in Regina with the program partners, CBC, NFB Prairie Centre, and SaskFilm.

Breakfast at Nicky's Cafe in Regina celebrated the success of a beloved local restaurant owner, produced by a well-known Regina personality.

Drug Class in Regina featured real life Saskatchewan youth learning from a Saskatchewan-based teacher about the effects of substance use on their lives.

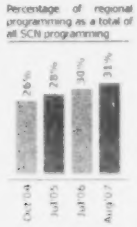
Performance Measures

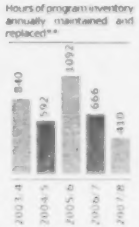
Performance measures are a critical tool used to monitor the success of our corporation in fulfilling its mandate to deliver cultural, informational and educational programming and to act as an enabler for the film and television industry. By reporting annually on our achievements and performance measures, SCN supports government's commitment to be accountable to the people of Saskatchewan. The following provides SCN's performance results for 2007-08 along with past year comparatives.*

Cultural Affirmation

SCN communicates with the region; profiling the culture, history, places and people of our region through the business of broadcasting.
This is achieved through:

- Engaging viewers with Saskatchewan content (documentary, dramatic and entertainment programs) that enhances their quality of life.
- Helping young people to make healthy and wise lifestyle choices by broadcasting programs on issues such as substance abuse, career and recreational opportunities.
- Supporting a knowledge economy by broadcasting programs that provide opportunity for life-long learning.
- Contributing to school readiness and helping children to be successful learners through broadcasting educational children's programming.





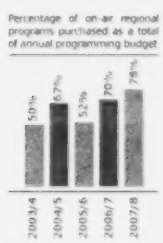
* *Due to changes in survey methodology for 2008, three performance measures have not been reported on as data is not directly comparable to previous years.*

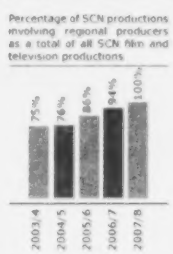
** *In the 2005-06 fiscal year, one time government funding was received and allocated to the purchase of broadcast program inventory hours.*

Economic Opportunity

SCN supports the Saskatchewan film and television industry by purchasing broadcast rights for existing programs and funding future programs, to create economic opportunity.
This is achieved through:

- Contributing to the economic development of the provincial film and television sector through the purchase of programming from Saskatchewan companies.

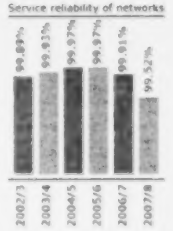




Access to Information and Educational Opportunities

SCN connects the remote and rural communities that require satellite technology to distribute educational and cultural programming.
This is achieved through:

- Providing equitable access to K-12 and post-secondary education and training for rural and remote communities and First Nations across Saskatchewan through distribution of televised distance learning.
- Supporting workplace training such as occupational health and safety, new communicable diseases and treatment processes and legal developments by distributing seminars on behalf of government ministries and agencies.
- Providing high speed internet connectivity and other communications services via SCN's satellite technology infrastructure where such service is currently not available or practical to establish.



Financial Report

Responsibility for Financial Statement

Management has prepared the financial statements of the Corporation in accordance with Canadian generally accepted accounting principles. The financial data included elsewhere in this report is consistent with these statements and the underlying information from which the Corporation prepared them.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this integral part of operations the Corporation maintains an appropriate system of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safely guarded and transactions are authorized and accurately recorded.

An audit committee, composed of members of the SCN Board of Directors, meets at least twice a year with management and a team of independent auditors. These auditors have free access to this committee, without management present to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

The financial statements have been examined and approved by the SCN Board of Directors. Independent external auditors have examined the March 31, 2008 financial statements and their report follows.

T MacDougall

Twyla MacDougall
A/SCN President and CEO
May 2008

Auditors' Report

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Internet www.kpmg.ca

To the members of the Legislative Assembly, Province of Saskatchewan

We have audited the balance sheet of Saskatchewan Communications Network Corporation as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

May 22, 2008

Balance Sheet

AS AT MARCH 31, 2008

	2008	2007
Assets		
Current Assets		
Cash	$ 574,368	$ 739,702
Accounts receivable and accrued interest	626,072	707,249
Inventory and prepaid expenses	143,932	98,783
	1,344,372	1,545,734
Property Plant and Equipment (note 4)	1,232,462	775,116
Film and Television Program Rights (note 5)	2,541,554	2,530,819
	$ 5,118,388	$ 4,851,669
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 975,506	$ 950,550
Funds under administration (note 6)	159,695	124,790
	1,135,201	1,075,340
Deferred Contributions (note 7)	28,893	126,139
Deferred Contributions Related to Property Plant and Equipment (note 8)	618,096	5,885
Net Assets		
Invested in property plant and equipment	614,366	769,232
Invested in film and television program rights	2,541,554	2,530,819
Internally restricted – TV program rights reserve	---	196,500
Unrestricted	180,278	147,754
	3,336,198	3,644,305
	$ 5,118,388	$ 4,851,669

Commitments (note 9)

Signed on behalf of the Board

, Director

, Director

see accompanying Notes to the Financial Statements

Statement of Operations

FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
Revenues		
Grant from the Government of Saskatchewan -General revenue fund	$ 5,997,000	$ 6,435,000
Data transmission over satellite	1,573,943	1,964,343
Video transmission over satellite	281,959	321,294
Network Migration	153,788	---
Corporate sponsorship	51,250	180,500
Project administration and miscellaneous	77,212	67,377
Membership	73,110	74,235
Production support	33,708	---
Interest	24,705	36,231
	8,266,675	9,078,980
Expenses (note 13 and 14)		
Film and television program rights	2,124,339	2,015,233
Program development and production	399,182	378,050
Program support	638,295	575,815
Broadcast network distribution and support	717,517	952,079
E-learning network distribution and support	656,669	573,002
Other networks distribution and support	1,696,939	1,707,086
Administration	1,825,073	1,703,869
Amortization of property plant and equipment	516,768	891,291
	8,574,782	8,796,425
(Deficiency) Excess of Revenue Over Expenses for the Year	$ (308,107)	$ 282,555

see accompanying Notes to the Financial Statements

Statement of Changes in Net Assets

FOR THE YEAR ENDED MARCH 31, 2008

	Invested in		Internally restricted (note 2e)			
	Property plant and equipment	Film & TV program rights	Capital	TV program rights	Unrestricted	2008
Balance, beginning of year	$769,232	$2,530,819	---	$196,500	$147,754	$3,644,305
(Deficiency) excess of revenues over expenses	(516,768)	(2,039,811)	---	(196,500)	2,444,972	(308,107)
Increase (decrease) in investments	974,114	2,050,546	---	---	(3,024,660)	---
Deferred contributions related to property plant and equipment	(612,212)	---	---	---	612,212	---
Balance, end of year	$614,366	$2,541,554	---	---	$180,278	$3,336,198

FOR THE YEAR ENDED MARCH 31, 2007

	Invested in		Internally restricted (note 2e)			
	Property plant and equipment	Film & TV program rights	Capital	TV program rights	Unrestricted	2007
Balance, beginning of year	$325,107	$2,734,335	$200,000	---	$102,308	$3,361,750
(Deficiency) excess of revenues over expenses	(891,291)	(1,872,175)	(200,000)	196,500	3,049,521	282,555
Increase (decrease) in investments	867,004	1,668,659	---	---	(2,535,663)	---
Deferred contributions related to property plant and equipment	468,412	---	---	---	(468,412)	---
Balance, end of year	$769,232	$2,530,819	---	$196,500	$147,754	$3,644,305

see accompanying Notes to the Financial Statements

Statement of Operations

FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
Revenues		
Grant from the Government of Saskatchewan -General revenue fund	$ 5,997,000	$ 6,435,000
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Statement of Changes in Net Assets

FOR THE YEAR ENDED MARCH 31, 2008

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Deferred contributions related to property plant and equipment	468,412	---	---	---	(468,412)	---
Balance, end of year	$769,232	$2,530,819	---	$196,500	$147,754	$3,644,305

see accompanying Notes to the Financial Statements

Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
Cash Flows From Operating Activities		
Grants received	$ 5,997,000	$ 6,435,000
Interest received	26,045	35,994
Fees received for goods and services	2,839,772	2,298,861
Net cash receipts for funds under administration	34,904	56,557
Cash payments to suppliers and employees	(6,038,395)	(6,688,241)
	2,859,326	2,138,171
Cash Flows Used In Investing Activities		
Cash payments for purchase of property plant and equipment	(974,114)	(867,004)
Cash payments for purchase of film and television program rights	(2,050,546)	(1,668,659)
	(3,024,660)	(2,535,663)
Decrease in cash	(165,334)	(397,492)
CASH - BEGINNING OF YEAR	739,702	1,137,194
CASH - END OF YEAR	$ 574,368	$ 739,702

see accompanying Notes to the Financial Statements

Notes to the Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008

1. STATUS OF CORPORATION

Saskatchewan Communications Advanced Network Authority (SCAN) was established by an order-in-council January 11, 1989 under the *Crown Corporations Act, 1978*. SCAN was continued as Saskatchewan Communications Network Corporation (SCN) under the *Communications Network Corporation Act, 1990*. Accordingly, the financial results of the Corporation are included in the summary financial statements of the Province of Saskatchewan. As a provincial Crown corporation, SCN is not subject to federal income tax, provincial income tax, federal large corporations tax or goods and services tax.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Inventory
Inventory, consisting of satellite antennae, is recorded at the lower of weighted average cost, and net realizable value.

b) Revenue recognition
The government operating grant is recognized in the year it is approved. Other government contributions are recognized as revenue in the fiscal year in which the related expenses are incurred.

Deferred contributions represent funding received in the current period that is related to externally restricted expenses in the subsequent period.

Other revenues are recognized when the related service is provided.

c) Use of estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

d) Defined contribution pension plan
The Corporation contributes to a defined contribution plan. The defined contribution plan costs are recognized as employees render services during the year.

e) Internally restricted
In prior years, this appropriation had been established to provide for the replacement and upgrading of satellite receivers, other technical equipment and TV program rights. Upon approval of the Board of Directors, the TV rights reserve was exhausted. Future amounts may be transferred to (from) the reserve on the authority of the Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Property plant and equipment
Property plant and equipment are recorded at cost less accumulated amortization. Amortization is calculated over the assets estimated useful lives as follows:

Office equipment and furniture	Declining Balance	30%
Uplink development and broadcast equipment	Declining Balance	30%
Computer hardware	Declining Balance	40%
TVs, VCRs, satellite dish and video receivers	Declining Balance	40%
Fax machines and audio conferencing units	Declining Balance	50%
Computer software	Declining Balance	60%
Data transmission equipment	Straight Line	3 years
Scheduling computer software	Straight Line	5 years
Network migration	Straight Line	5 years
Office renovations	Straight Line	6 years
Digital video compression equipment	Straight Line	9 years

On an annual basis SCN management assesses the remaining useful life of property, plant and equipment and if required adjusts the amortization period.

g) Film and television program rights
Film and television program rights are recorded at cost less accumulated amortization. Amortization is calculated over the assets estimated useful lives as follows:

Class A: Event programming	Expense	100%
Class B: Short to Mid term programming	50:50	2 years
Class C: Normal term programming	35:35:30	3 years
Class D: Long term programming	Straight Line	5 years

On an annual basis SCN management assesses the remaining useful life of film and television program rights and if required adjusts the amortization period.

3. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2007, the Corporation adopted the accounting recommendations for comprehensive income (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530), financial instruments-recognition and measurement (CICA Handbook Section 3855), financial instruments-disclosure and presentation (CICA Handbook Section 3861) and equity (CICA Handbook Section 3251). These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities, non-financial derivatives and embedded derivatives. The standards are retroactively applied, but are prospectively presented.

Upon adoption of these new standards, the Corporation classified its cash as held-for-trading, accounts receivable as loans and receivables, and accounts payable, accrued liabilities and funds under administration as other liabilities. The adoption of these standards had no impact on the financial statements.

The Corporation has elected to review contracts for embedded derivatives subsequent to the elected transition date of April 1, 2003 in accordance with section 3855, Financial Instruments - Recognition and Measurement. As at April 1, 2007, the Corporation had not identified any embedded derivative instruments requiring separation.

CICA Handbook Sections 1530, "Comprehensive Income" and 3251, "Equity" establish standards for reporting and display of comprehensive income. The Corporation does not have any items that require separate recognition outside of net income, and, as a result, the adoption of this Section had no impact on the Corporation's financial statements.

In March, 2007 the Accounting Standards Board (AcSB) issued three new CICA handbook sections which expand the disclosure requirements on financial instruments: Section 3862, "Financial Instruments - Disclosures", Section 3863, "Financial Instruments - Presentation" and Section 1535, "Capital Disclosures". Sections 3862 and 3863 replace Section 3861, "Financial Instruments - Presentation and Disclosure". The Corporation will adopt these new sections effective April 1, 2008, and is currently assessing the impact.

4. PROPERTY PLANT AND EQUIPMENT

The components of property plant and equipment as well as the related accumulated amortization are:

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment and furniture	$ 524,236	$ 422,271	$ 101,965	$ 92,184
Uplink development and broadcast equipment	1,358,868	958,530	400,338	569,588
Computer hardware	616,249	568,813	47,436	47,573
TVs, VCRs, cameras, satellite dishes and receivers	486,549	483,976	2,573	4,288
Fax machines and audio conferencing units	31,652	31,641	11	23
Computer software	255,560	212,617	42,943	8,913
Data transmission equipment	2,286,136	2,283,192	2,944	5,894
Scheduling computer software	139,241	128,495	10,746	6,591
Network migration	1,128,967	509,582	619,385	6,048
Office renovations	195,235	191,114	4,121	34,024
Digital video compression equipment	1,341,474	1,341,474	0	0
	$8,364,167	$7,131,705	$1,232,462	$ 775,116

5. FILM AND TELEVISION PROGRAM RIGHTS

The components film and television program rights as well as the related accumulated amortization are:

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Class B	$ 926,209	$ 463,105	$ 463,104	$ 200,500
Class C	976,655	525,969	450,686	549,954
Class D	3,361,663	1,733,899	1,627,764	1,780,365
	$5,264,527	$2,722,973	$2,541,554	$2,530,819

Amortization for the year totaled $2,039,811 (2007 - $1,872,175).

6. FUNDS UNDER ADMINISTRATION

The Corporation administers funds on behalf of related parties, in accordance with the terms of contracts between the Corporation and the related parties.

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for data transmission over satellite, program development and other miscellaneous amounts. Changes in the deferred contributions balance are as follows:

	2008	2007
Data transmission over satellite		
Beginning balance, related to data transmission over satellite	$ 117,944	$ 104,995
Less amount recognized as revenue in the year	(117,944)	(104,995)
Add amount received related to the following year	25,143	117,944
Ending balance, data transmission over satellite	25,143	117,944
Program development		
Beginning balance, related to program development	---	95,000
Less amount recognized as revenue in the year	---	(95,000)
Add amount received related to the following year	---	---
Ending balance, related to program development	---	---
Miscellaneous		
Beginning balance, miscellaneous	8,195	---
Less amount recognized as revenue in the year	(4,445)	---
Add amount received related to the following year	---	8,195
Ending balance, miscellaneous	3,750	8,195
Ending balance	$ 28,893	$ 126,139

8. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY PLANT AND EQUIPMENT

Deferred contributions represent funding received to purchase data transmission over satellite equipment and network migration equipment. The data transmission over satellite equipment is amortized over the two year life of the underlying assets. The network migration equipment is amortized over the five year life of the underlying assets. Changes in the deferred contributions balance are as follows:

	2008	2007
Data transmission over satellite		
Beginning balance	$ 5,885	$ 474,297
Contributed equipment	5,888	11,770
Amount amortized to revenue	(8,829)	(480,182)
Ending balance, data transmission over satellite	2,944	5,885
Network migration equipment		
Beginning balance	---	---
Contributed equipment	768,940	---
Amount amortized to revenue	(153,788)	---
Ending balance, network migration equipment	615,152	---
Ending balance	$ 618,096	$ 5,885

9. COMMITMENTS

a) Productions
At March 31, 2008 the Corporation had commitments totaling $37,475 (2007 - $56,625) representing the estimated cost to complete productions in progress.

b) Broadcast and duplication rights
At March 31, 2008 the Corporation had commitments totaling $1,913,305 (2007 - $1,459,446) for the acquisition of broadcast and duplication rights.

c) Satellite transponder
At March 31, 2008 the Corporation had commitments with vendors for transponder space totaling $4,822,140 (2007 - $1,089,672). Included in this total are $969,595 in costs to support the Internet over Satellite Initiative for 2008-09 which the Ministry of Education has committed to cover. The vendor contract extends to March 31, 2013 and the commitment with the Ministry of Education is subject to annual renewal.

d) Property lease agreement
The Corporation has a contract with the Ministry of Government Services, a related party, for the lease of accommodation space. The estimated contract cost for 2008-09 is $303,538. The contract extends to June 14, 2012.

e) Lease agreement for broadcast scheduling software
The Corporation contracts with vendors for the lease of broadcast scheduling software. The contract cost for 2008-09 is $10,395. The contract extends to August 2009.

A summary of future years commitments are detailed below:

Year ending March 31	Commitments
2009	$ 2,768,319
2010	1,714,184
2011	1,293,792
2012	1,289,454
2013	1,037,143
Total	$ 8,102,892

10. PENSION COSTS

In 2008, pension expense and employer contributions for the Public Employees Pension Plan were $144,880.19 (2007 - $112,953).

11. RELATED PARTY TRANSACTIONS

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related since all are controlled by the government.

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled ministries, agencies and corporations with which SCN is related. The more significant of these are SaskTel, Ministry of Government Services (GS), the Saskatchewan Legislative Assembly (SLA), and Ministry of Education. Also, SCN is related to non-crown enterprises that the government jointly controls or significantly influences. Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

11. RELATED PARTY TRANSACTIONS *(continued)*

The following table summarizes SCN's major related party transactions that are in the normal course of operations. These transactions are recorded at exchange amounts agreed to by the related parties.

	2008	2007
Revenues		
Government of Saskatchewan, Provincial grant	$ 5,997,000	$ 6,435,000
Ministry of Education	1,214,296	1,554,318
Ministry of Government Services	148,948	278,527
Saskatchewan Environment	84,796	98,726
Saskatchewan Legislative Assembly	255,150	273,025
Ministry of Social Services	13,772	---
Ministry of Tourism, Parks, Culture and Sport	---	100,000
Saskatchewan Transportation Company	13,890	---
Other	31,496	33,540
Expenses		
Ministry of Government Services	378,238	443,270
SaskTel	40,985	38,688
University of Saskatchewan, Division Media Technology	---	318,053
Other	22,115	31,620
Property, Plant and Equipment		
Ministry of Government Services	345,310	---
Accounts Receivable at March 31		
Government of Saskatchewan, Provincial grant	---	537,000
Ministry of Government Services	23,152	---
Ministry of Education	---	9,817
Saskatchewan Legislative Assembly	---	13,175
Saskatchewan Environment	12,946	15,754
Ministry of Social Services	13,989	---
Other	1,375	17,351
Accounts Payable at March 31		
Ministry of Government Services	351,853	3,672
Ministry of Finance	96,686	88,848
SaskTel	2,407	2,399
Other	3,347	110

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

12. FINANCIAL INSTRUMENTS

Upon initial recognition, financial instruments are measured at fair value and are subsequently accounted for based on their classification as described below:

a) *Held-for-trading*
This classification is carried at fair value with any gains or losses included in net income. The Corporation has classified cash as held-for-trading. This measurement is consistent with the classification under the prior accounting standards and does not result in a change to net assets.

b) *Loans and receivables, and other liabilities*
These classifications are accounted for at amortized cost using the effective interest method. The Corporation has classified accounts receivable as loans and receivables and accounts payable, accrued liabilities and funds under administration as other liabilities. This measurement is consistent with the classification under the prior accounting standards and does not result in a change to net assets.

The Corporation does not have any financial assets or financial liabilities which are not recognized in the financial statements.

The Corporation is exposed to credit risk from the potential default of customers. However, the majority of the Corporation's receivables are from related parties, other government corporations and agencies. Therefore the credit risk is minimal.

13. COMPARISON OF PLANNED AND ACTUAL RESULTS EXPENSES

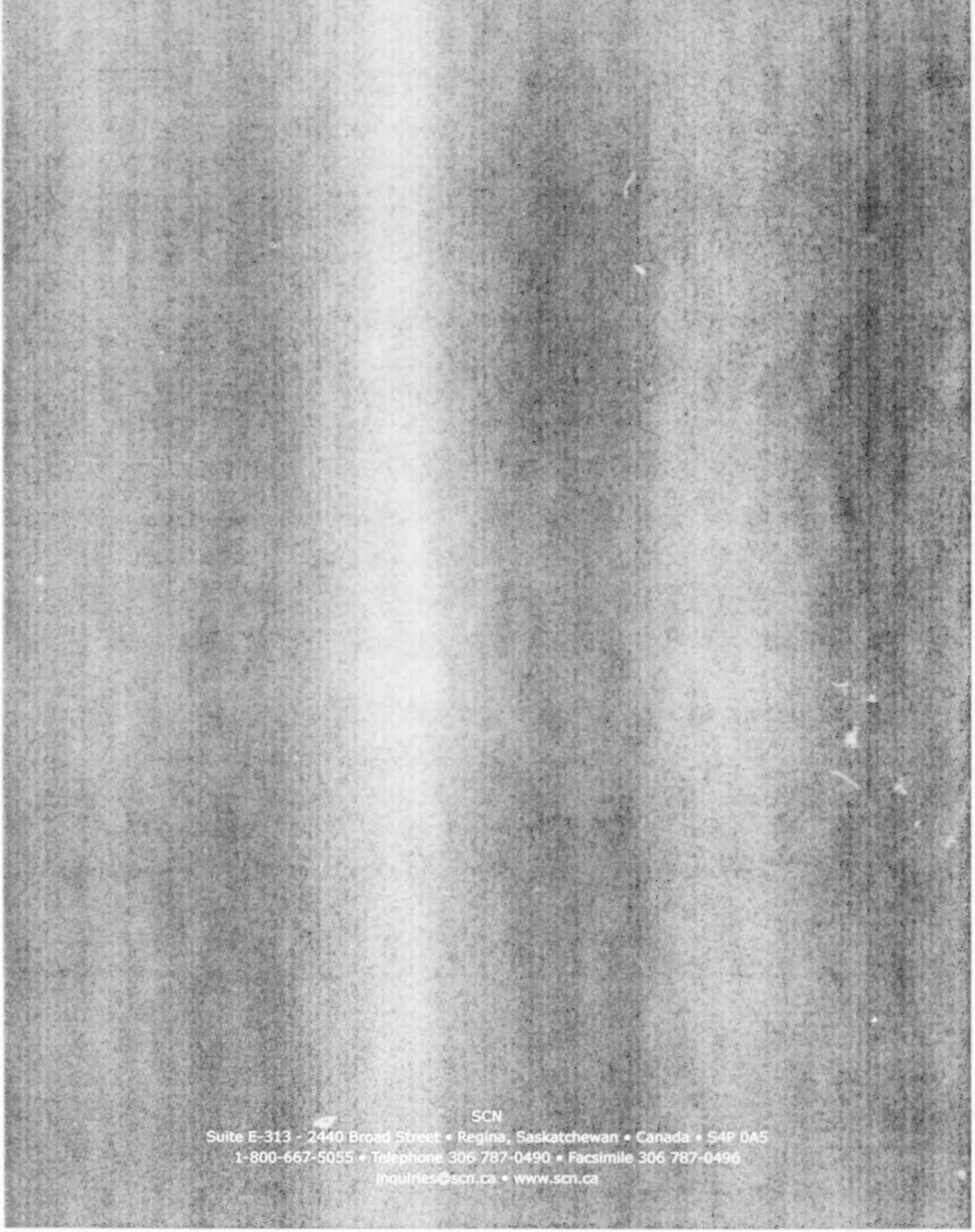
	2008		2007
General Operating Expenses	**Budget**	**Actual**	**Actual**
Film and television program rights	$ 55,528	$ 84,528	$ 143,058
Film and television program rights - amortization	2,039,811	2,039,811	1,872,175
Program development and production	355,642	399,182	378,050
Program support	540,127	638,295	575,815
Broadcast network distribution and support	742,931	717,517	952,079
E-learning network distribution and support	649,253	656,669	573,002
Administration	1,755,728	1,825,073	1,703,869
Administration - amortization	59,580	156,571	112,978
Network distribution - amortization	159,503	360,197	778,313
Sub-total	6,358,103	6,877,843	7,089,339
Additional Services Provided			
Network distribution - data	1,427,958	1,429,180	1,390,007
Network distribution - video	305,173	267,759	317,079
Sub-total	1,733,131	1,696,939	1,707,086
Total	$ 8,091,234	$ 8,574,782	$ 8,796,425
Capital Purchases			
Property Plant and Equipment			
Administration	$ 41,475	$ 144,160	$ 69,198
Network distribution - general	36,447	824,066	786,036
Network distribution - additional services	---	5,888	11,770
Sub-total	77,922	974,114	867,004
Film and Television Program Rights			
General program rights	1,804,200	926,209	1,314,137
Educational program rights	214,000	450,540	174,022
Sponsorship program rights	201,800	673,797	180,500
Sub-total	2,220,000	2,050,546	1,668,659
Total	$ 2,297,922	$ 3,054,542	$ 2,535,663

14. CLASSIFICATION OF EXPENSES BY OBJECT

	2008	2007
Salaries (including benefits)	$ 2,672,391	$ 2,092,173
Communications	249,538	336,575
General operations		
-Administration	644,816	565,385
-Networks	436,557	854,624
Distribution of networks	2,282,439	2,742,777
Program rights	2,124,339	2,015,233
Production costs	164,702	189,658
Total	$ 8,574,782	$ 8,796,425

15. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 2007 balances have been re-classified to conform to the 2008 financial statement presentation.



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